

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20540

At 3/12/2002

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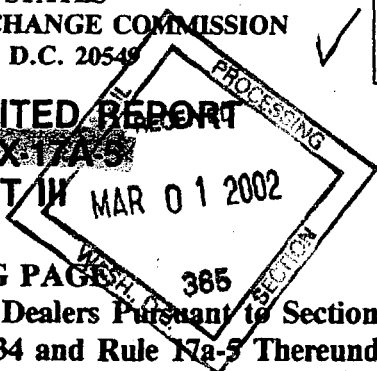
ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III



02019843

FACING PAGE 365

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder



SEC FILE NUMBER  
8-48116

REPORT FOR THE PERIOD BEGINNING 01/01/2001 AND ENDING 12/31/2001  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

JAMES WHEELER & COMPANY INVESTMENTS, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1355 SOUTH COLORADO BLVD., SUITE 120

(No. and Street)

DENVER

COLORADO

80222

(City)

(State)

(Zip Code)

OFFICIAL USE ONLY
FIRM ID. NO.

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

JAMES WHEELER

(303) 799-1038

(Area Code — Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

JACKSON AND GOLDSTINE, P.C.

(Name — if individual, state last, first, middle name)

655 BROADWAY SUITE 365

DENVER

COLORADO

80203

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 29 2002

THOMSON  
FINANCIAL

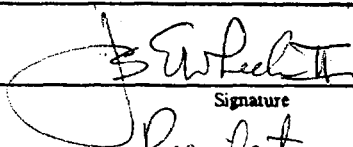
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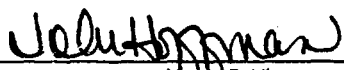
aims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant  
must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, JAMES WHEELER, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of JAMES WHEELER & COMPANY INVESTMENTS, INC., as of December 31, 2001, 19    , are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

*This document has been subscribed and affirmed before me in the County of Douglas, State of Colorado, this 28th day of February, 2002.*

  
Signature  
President  
Title

  
Notary Public

My Commission Expires  
03/18/2002

This report\*\* contains (check all applicable boxes):

- ☐ (a) Facing page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**JAMES WHEELER & CO. INVESTMENTS, INC.**

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
DECEMBER 31, 2001**

**JAMES WHEELER & CO. INVESTMENTS, INC.**

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**JACKSON AND GOLDSTINE, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**INDEPENDENT AUDITORS' REPORT**

February 18, 2002

The Board of Directors  
James Wheeler & Co. Investments, Inc.

We have audited the accompanying statement of financial condition of James Wheeler & Co. Investments, Inc. as of December 31, 2001, and the related statements of operations, changes in shareholders' equity and cash flows for year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of James Wheeler & Co. Investments, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying index is presented for purposes of additional analysis and is not required for a fair presentation of the financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

  
JACKSON AND GOLDSTINE, PC

**JAMES WHEELER & CO. INVESTMENTS, INC.**

**STATEMENT OF FINANCIAL CONDITION**

**DECEMBER 31, 2001**

**ASSETS**

Cash	\$ 40,492
Deposits with clearing broker	108,326
Receivable from clearing broker	29,682
Securities owned, at market value (Note 1)	1,053
Other Securities Owned (NASDAQ)	15,600
Employee receivables	17,763
Due from holding company	109,419
Account Receivable Other	2,200
Furniture and equipment, net of accumulated depreciation of \$100,057 (Note 1)	54,524
Other assets	29,299

***TOTAL ASSETS***

**\$ 408,358**

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**LIABILITIES:**

Commissions payable	\$ 18,008
Accounts payable	27,838
Accrued expenses	378

***TOTAL LIABILITIES***

**46,224**

**COMMITMENTS AND CONTINGENCIES (Notes 4 and 6)**

**SHAREHOLDERS' EQUITY (Notes 1 and 3):**

Common Stock, no par value; 20,000,000 shares authorized; 17,000,000 shares issued and 16,970,000 outstanding	108,520
Additional Paid In Capital	750,000
Deficit	(496,386)

***TOTAL SHAREHOLDERS' EQUITY***

**362,134**

***TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY***

**\$ 408,358**

**JAMES WHEELER & CO. INVESTMENTS, INC.**

**STATEMENT OF OPERATIONS  
YEAR ENDED DECEMBER 31, 2001**

**REVENUES:**

Commissions	\$ 917,207
Investment Income	269,795
Trading gains/(loss), net	81,836
Other income	<u>48,902</u>
<b><i>TOTAL REVENUES</i></b>	<b><u>1,317,740</u></b>

**EXPENSES:**

Clearing charges	255,402
Salaries, commissions, and payroll taxes	1,012,073
General and administrative expenses	164,399
Communications	27,296
Advertising and promotion	33,541
Regulatory fees	24,406
Exchange fees	11,729
Occupancy expenses	162,396
Insurances expenses	10,392
Professional fees	<u>33,807</u>
<b><i>TOTAL EXPENSES</i></b>	<b><u>1,735,441</u></b>

<b>NET GAIN</b>	<b><u>\$ (417,701)</u></b>
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JAMES WHEELER CO. INVESTMENTS, INC.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
YEAR ENDED DECEMBER 31, 2001

	Common Stock		Additional Paid in Capital	Preferred Stock		Income (Deficit)
	Shares (Note 5)	Amount		Shares	Amount	
<b>BALANCES, December 31, 2000</b>	17,000,000	\$ 123,520		8,500	750,000	\$ (146,185)
Common Stock - Buy Back	(30,000)	(15,000)				
Conversion of Capital Infusion to Preferred and Common Stock				(8,500)	(750,000)	
Capital Infusion			750,000			
Dividends Declared as of December 31, 2000 (Not Paid)						67,500
Income (Loss)						(417,701)
<b>BALANCES, December 31, 2001</b>	<b>16,970,000</b>	<b>\$ 108,520</b>	<b>\$ 750,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (496,386)</b>



**JAMES WHEELER & CO. INVESTMENTS, INC.**

**STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2001**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net Gain	
Adjustments to reconcile net loss to net cash used in operating activities:	(\$417,701)
Depreciation and amortization	22,373
Increase in commissions payable	(13,215)
Increase in deposit with clearing broker	(44,138)
Increase in receivable from clearing broker	40,283
Increase in securities owned, at market value	338,754
Decrease in accounts payable	(11,610)
Decrease in due from holding company	4,929
	<hr/>
<i>Net cash provided by operating activities</i>	<i>(80,325)</i>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of furniture and equipment	(26,769)
Decrease in other assets	1,184
Decrease in employee receivables	129,432
	<hr/>
<i>Net cash used in investing activities</i>	<i>103,847</i>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Redemption of Common Stock	(15,000)
	<hr/>
<i>Net cash used in financing activities</i>	<i>(15,000)</i>

**NET INCREASE IN CASH** 8,522

**CASH, beginning of year** 31,970

**CASH, end of year** \$ 40,492

## **JAMES WHEELER & CO. INVESTMENTS, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

James Wheeler & Co. Investments, Inc. is a Colorado corporation, incorporated on February 2, 1995 and operates as a securities broker-dealer. The Company is a 62% owned subsidiary of James Wheeler & Co.

Securities owned or sold, but not yet purchased by the Company are recorded at market value and related changes in market value are reflected in income. For the year ended December 31, 2001, the Company has recorded proprietary transactions on a trade-date basis. Commission revenue and related expenses are recorded on a trade-date basis.

The Company under Rule 15c3-3(k)(2)(ii) is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis. The Company's agreement with its clearing broker provides that as clearing broker, the firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the Act). It also performs all services customarily incident thereon, including the preparation and distribution of customer's confirmation and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the company is a member. At December 31, 2001, the receivable from the clearing broker reflected on the statement of financial condition are amounts due from this clearing broker. The company has agreed to indemnify its clearing broker for losses that the clearing broker may sustain from the customer accounts introduced by the Company.

The Company provides for depreciation of furniture and equipment an accelerated methods over the estimated lives of the related assets.

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less and money market funds to be cash equivalents.

**JAMES WHEELER & CO. INVESTMENTS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(continued)

**NOTE 2 - INCOME TAXES**

The Company has a unused net operating loss carryforward for income tax and financial reporting purposes of approximately \$484,000 available to offset future income. For income tax purposes, this carryforward principally expires on December 31, 2012. The tax benefits of this loss has not been recorded in these financial statements.

**NOTE 3 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) which requires the maintenance of minimum net capital of the greater of 6-2/3% of aggregate indebtedness or \$50,000 and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$128,309 which was \$78,969 in excess of its required net capital of \$50,000. The Company's net capital ratio (aggregate indebtedness to net capital) was .34 to 1.

**NOTE 4 - COMMITMENTS AND RELATED PARTY TRANSACTIONS**

The Company has entered into a management agreement with its parent whereby certain costs are paid by its parent on behalf of the Company. In addition certain obligations contracted by its parent on behalf of the Company are paid by the Company (i.e. office lease, advertising, etc.)

The Company's parent has entered into a noncancellable operating lease for office space which expires in 2001 in which the Company is paying on a month to month basis.

Future rental commitments under this lease as of December 31, 2001 are as follows:

<u>Year</u>	<u>Amount</u>
2002	65,272
2003	66,581
2004	<u>67,780</u>
Total minimum lease payments	<u>\$287,974</u>

Rental expense for the period ended December 31, 2001 was approximately \$133,205.

**JAMES WHEELER & CO. INVESTMENTS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(concluded)

**NOTE 5 - SHAREHOLDERS' EQUITY**

In 1998, the Company declared a two-to-one stock split to its common stock holders of record. During the year 2001 the Company converted 750,000 of preferred stock equity to additional paid in capital, with the redemption of the non voting preferred shares.

**NOTE 6 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES**

In the normal course of business, the Company's client activities ("clients") through its clearing broker involve the execution, settlement, and financing of various client securities transactions. These activities may expose the Company to off-balance sheet risk. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

In the Company's trading activities, the company has purchased securities for its own account and may incur losses if the market value of the securities decline subsequent to December 31, 2001.

**SUPPLEMENTARY INFORMATION**

PURSUANT TO RULE 17a-5 OF THE  
SECURITIES EXCHANGE ACT OF 1934

**JAMES WHEELER & CO. INVESTMENTS, INC.**

**COMPUTATION OF NET CAPITAL PURSUANT TO RULE 15c3-1  
UNDER THE SECURITIES EXCHANGE ACT OF 1934  
DECEMBER 31, 2001**

**NET CAPITAL:**

Shareholder's equity	\$ 362,135
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**LESS NONALLOWABLE ASSETS:**

Receivable from non customer	144,983
Furniture, equipment and leasehold improvements, net	54,524
Other assets	29,299
	<u>228,806</u>
<b>NET CAPITAL BEFORE HAIRCUTS</b>	<u>133,329</u>

Haircuts on securities positions	4,360
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<b>NET CAPITAL</b>	<u>128,969</u>
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Minimum requirements of 6 2/3% of aggregate indebtedness of \$46,224 or \$50,000, whichever is greater	<u>50,000</u>
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<b>EXCESS NET CAPITAL</b>	<u><u>\$ 78,969</u></u>
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**AGGREGATE INDEBTEDNESS**

Commissions payable	\$18,008
Accounts payable and Accrued expenses	28,216
	<u>46,224</u>

<b>TOTAL AGGREGATE INDEBTEDNESS</b>	<u><u>\$ 46,224</u></u>
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**RATIO OF AGGREGATE INDEBTEDNESS  
TO NET CAPITAL**

0.34 to 1

**JAMES WHEELER & CO. INVESTMENTS, INC.**

**RECONCILIATION OF THE COMPUTATION OF NET CAPITAL PURSUANT TO  
THE SECURITIES EXCHANGE COMMISSION RULE 15c3-1 INCLUDED IN THE  
COMPANY'S CORRESPONDING UNAUDITED FORM X-17A-5 PART II FILING WITH  
COMPUTATION INCLUDED IN THE REPORT PURSUANT TO RULE 17a-5(d)  
DECEMBER 31, 2001**

Net capital per Company's unaudited  
Form X-17 A-5 Part II filing

\$ 128,969

NET CAPITAL PER REPORT PURSUANT TO RULE 17a-5(d)

\$ 128,969

**JACKSON AND GOLDSTINE, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

February 18, 2002

The Board of Directors  
James Wheeler & Co. Investments, Inc.

In planning and performing our audit of the financial statements of James Wheeler & Co. Investments, Inc. for the year ended December 31, 2001, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a5(g)(1) of the Securities and Exchange Commission, we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by James Wheeler & Co. Investments, Inc. that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or complying with the comparisons, and the recordation of differences required by Rule 17a-13 or complying with the requirements for prompt payment for securities under Section 8(b) of regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers of perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgements by management, are required to assess the expected benefits and related costs of internal control, structure policies and procedures, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the Commission's above mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control structure or the practices and procedures referred to above, errors or irregularities may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. This report recognizes that it is not practicable in an organization the size of James Wheeler & Co. Investments, Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matter involving the internal control structure, including procedures for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the Company's objectives.

In addition, our review indicated that James Wheeler & Co. Investments, Inc. was in compliance with the conditions of exemption from Rule 15c3-3 pursuant to paragraph k(2)(ii) as of December 31, 2001, and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the use of management, the Securities and Exchange Commission and other regulatory agencies, which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used for any other purpose.

  
JACKSON AND GOLDSTINE, PC